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SUBJECT: USAID/NICARAGUA CONCURRENCE CABLE ON  
SAVE THE CHILDREN FEDERATION (SCF) FY 2006  
DEVELOPMENT ASSISTANCE PROGRAM AMENDMENT

Summary. SCF submitted the second phase of the Development Assistance Program (DAP) amendment to USAID Nicaragua on March 28, 2005. The first phase of the DAP amendments for Nicaragua incorporated the Coffee Relief Activity into the DAPs. For the second phase, the partners are proposing programmatic adjustments to the DAPs including a request for a two year extension. USAID Nicaragua concurs with SCF's request to extend the program until 2008 for the reasons listed below. End Summary.

1. DAP extension and program adjustment for phase two of the DAP amendment. With the results and recommendations from the Food Aid Program and Policy Assessment for Nicaragua, the credit component review and the Nicaragua Title II program mid-term evaluation, the Title II Cooperating Sponsors will make adjustments to the DAPs to target the most vulnerable groups through an efficient and effective program and extend the program until 2008 to coincide with USAID/Nicaragua's Country Plan and the Central America and Mexico Regional Strategy.

2. Program design and progress to date. The Nicaraguan Title II food aid program focuses on increasing food availability, food access and food utilization. The main components are to link small farmers to markets (Agriculture) and to improve maternal-child health and nutrition (Health). There are four PVOs implementing the program in Nicaragua: ADRA, CRS, PCI, and SCF. All of them carry out both agricultural and health activities.

2.1. Agricultural activities focus on increasing the production of high-value, non-traditional crops, basic grains production, increasing higher levels of marketing and processing of products and promoting irrigation, storage, reforestation and soil and water conservation practices. As of September 2004, there were 4,230 farmers working with the agricultural team in new technological activities such as production of non-traditional crops using certified seeds, irrigation systems and greenhouses.

2.2. Health activities focus on integrated management of common illnesses, improving prenatal and postpartum care and strengthening the relationship between target communities and the local government health facilities. The number of beneficiaries under the MCH component for FY 2004 is 5,030.

2.3. The productive component of the DAP is helping to increase the competitiveness of smallholder farmers given the challenges and opportunities posed by the US-Central American Free Trade Agreement (CAFTA). As the majority of problems facing smallholder producers lie in the marketing system, increasing the competitiveness of small holder farmers by linking smallholder production to market demand is essential preparation for CAFTA. SCF has 170 beneficiaries under this component who had sales that totaled US \$ 144,974.18 in FY 2004.

2.4. The marketing component complements the agriculture activities by facilitating linkages between farmers and major national and international buyers. Furthermore, the Title II partners promote the formation of cooperatives so that the farmers sell at higher prices and volumes and to ensure sustainability once the DAPs come to an end. Higher prices and income

improve household food security by allowing beneficiaries to be able to buy their own food supplies.

13. Program extension. The SCF DAP will consolidate efforts directed to increasing incomes and reducing the incidence of malnutrition in up to 4 municipalities in the Department of Chinandega. In addition, it will aim at strengthening local capacities, reducing resilience to shocks and preparing small-scale farmers to compete in regional and international markets.

3.1. The DAP amendments for the Nicaraguan Title II programs include the following: 1) A two-year extension in the program with additional funds (FY 2007-2008); 2) Improvements in the program to broaden their impact and ensure sustainability; 3) 202 (e) funds request; and 4) Development Assistance (DA) funds request in FY 06.

3.2. Regarding the DA funds request in FY 06, the Mission will modify the Title II partners Transfer Authorization (TA) to create a Hybrid TA. The purpose is to enhance the agriculture and marketing components should a need arise to scale up efforts to assist small-scale farmers as a result of the passage of CAFTA. The Mission is in favor of having a Hybrid TA because it will provide flexibility for the Mission to add DA funds to the DAP program in the remaining fiscal years. This is subject to funds availability.

3.3. Procurement. SCF is proposing to buy one pick up for the two year extension. SCF and the other Title II partners have a copy of STATE 037732 MOTOR VEHICLE SOURCE ORIGIN UPDATE. These vehicles will be used as part of the DAP interventions in the areas of agriculture, health and logistical transport of commodities. The Mission concurs with SCF's request.

14. Issues letters. The issues letters were sent by FFP Washington so that the partners could clarify or respond to questions raised after the second phase of the DAP amendments were received. The letter sent to SCF included threshold and non threshold issues. Threshold issues focused on the following topics: Counseling under the Health component, ITSH funding, Sustainability plan for the micro finance component, and Exit strategy. Non threshold issues focused on the following subjects: Transportation phase out plan, collection and packaging centers sustainability, Funding levels and preparation of a color map.

4.1. Responses to threshold issues. SCF's responses to USAID Mission and USAID Washington threshold issues are: SCF presented its plan for addressing the issues raised by the Midterm evaluation regarding counseling under the Health component; SCF is no longer requesting ITSH funding; and SCF described how its exit strategy will be implemented according to timelines set for that purpose. The Mission feels that the above mentioned issues were properly addressed by SCF.

4.2. Responses to non threshold issues. SCF's responses to USAID Mission and USAID Washington non threshold issues are: SCF explained how it will phase out its transportation strategy; SCF detailed how the packaging and collection centers will be sustainable; SCF adjusted its annual budgets and included a color map also. The Mission feels that the above mentioned issues were properly addressed by SCF.

15. Micro credit sustainability plan. Sixty days after the Transfer Authorization is signed, SCF and the other Title II partners will submit the micro credit sustainability plan.

16. Bellmon Certification. The Bellmon Analysis was updated in January 2005. The Mission Director certified that there will be adequate storage and transportation available in Nicaragua at the time of arrival of Title II commodities to prevent the spoilage or waste of

these commodities. The Mission Director also certified that the distribution or sale of these commodities in the case of Title II monetization will not result in a substantial disincentive to, or interfere with, domestic production or marketing in Nicaragua.

17. Usual Marketing Requirement (UMR). The UMR for wheat products to Nicaragua has been established at 48,300 metric tons (MT) and the maximum for U.S. programming at 101,000 metric tons (MT). Under the joint monetization arrangement, ADRA, CRS, PCI, and SCF currently plan to monetize a total of 27,050 Metric Tons (MT) of Northern Spring (NS) wheat in FY 2006 to fund the activities proposed in their DAPs.

18. Cooperating Sponsors Capacity. SCF has demonstrated adequate technical, financial and managerial capability to design, implement and monitor the FY 2002-2008 DAP. The DAP explains how SCF's headquarters, international and regional personnel will adequately backstop SCF/Nicaragua during the implementation of the DAP.

19. Funding level recommendation. USAID/Nicaragua recommends that the FY 2002-2008 SCF Title II DAP be funded in FY 2006 at the following levels (Tonnage and section 202 (e) levels):

Commodities are in Metric tons as requested in Lines 8 and 17 of the FY 2006 Annual Estimate of Requirements (AER) of the DAP.

Commodity	Line 8	Line 17
Corn Soy Blend	660	650
Vegetable Oil 4Lt.can	168	160
Long grain rice	325	390
Lentils	207	260
Cornmeal	99	50
Total Metric Tons	1,549	1,510
NS Wheat (monetization)	6,990	6,990

Section 202 (e) Level for FY 2006: US Dols  
188,349

10. Environmental Compliance Documentation: SCF submitted the following documents as part of the Environmental Appendix: Environmental Compliance Facesheet; Pesticide Evaluation Report and Safe Use Action Plan (PERSUAP); Title II Environmental Status Report Facesheet; and Environmental Monitoring Plan. The Mission has reviewed and cleared this Environmental Appendix.

11. Host Country FFP Agreement. The Mission Director certifies that SCF can satisfactorily operate a Title II program in Nicaragua in the absence of a host country Food for Peace Agreement. The Mission Director also certifies that the commodities brought in under the Title II program for direct distribution will be free from duties and taxes, and the interests of the USG can adequately be looked after and protected.

12. USAID/Nicaragua has reviewed the SCF DAP amendment and finds it to be consistent with the food security needs of Nicaragua, USAID/Nicaragua development priorities, and USAID's Food Aid and Food Security Policy Paper. The documentation satisfactorily reflects guidance from FFP on the submission of DAP Amendments.

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